

# Credit Union Department



## NEWSLETTER

No. 02-04

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February 29, 2004

### **RESULTS OF CREDIT UNION COMMISSION MEETING**

The Credit Union Commission held a meeting on Friday, February 20, 2004. At the meeting the Commission:

- ❖ Adopted amendments to Rule §91.202 (Articles of Incorporation and Bylaws);
- ❖ Adopted amendments related to the repeal of existing Rule §91.401 (Operational Powers) and the proposed new Rules §91.401 (Purchase, Lease, or Sale of Fixed Assets), 91.402 (Insurance for Members), 91.406 (Credit Union Service Contracts), 91.407 (Electronic Notification), 91.408 (User Fees for Shared Electronic Terminals), and 91.409 (Permanent Closing of an Office or Operation);
- ❖ Adopted amendments to Rule §91.501 (Eligibility to Hold Office);
- ❖ Adopted new Rule §91.206 (Underserved Area Credit Unions);
- ❖ Adopted amendments to Rule §91.719 (Loans to Officials and Employees);
- ❖ Adopted new Rules 7 TAC §§91.7000 (Certificates of Indebtedness), 91.8000 (Discovery of Confidential Information), 93.502 (Retention of Attorney), 97.107 (Related Entities), 97.207 (Authority to Contract), and 97.300 (Gifts of Money or Property);
- ❖ Adopted amendments to *The Standard Bylaws for State Chartered Credit Unions* (President/Employees Ability to Serve on the Board);
- ❖ Adopted amendments to Rule §91.701 (Lending Powers);
- ❖ Readopted without changes Rules 91.601 (Share & Deposit Accounts), 91.610 (Safe Deposit Box Facilities), 91.805 (Loan Participation Investments), 91.808 (Reporting Investment Activities), 91.902 (Dividends), and 91.1110 (Share Deposit Guaranty).
- ❑ Approved for publication and comment in the *Texas Register* the proposed amendments to: Rules **91.502** concerning (director meeting fees); **91.510** concerning (bond and insurance requirements); **91.602** concerning (broker deposits); **91.608** concerning (confidentiality of member records); **91.801** concerning (credit union service organizations); **91.802** concerning (other investments); **91.803** concerning (investment limits and prohibitions); **91.804** concerning (custody and safekeeping); **91.901** concerning (reserve requirements); and **91.1004** concerning (conversion of charter).

[Click here for the above rules](#)

**COMMISSION ADOPTS**  
**INTERPRETATION ON HOME EQUITY**  
**LINES OF CREDIT**

The Texas Credit Union Commission also adopted the new [7 TAC Chapter 153, §§153.82, 153.84-153.88](#) administrative interpretations concerning home equity lines of credit at a meeting on February 20, 2004. The attached interpretations become effective on March 11, 2004.

**ALLOWANCE FOR LOAN AND LEASE**  
**LOSSES**

Although arriving at an appropriate allowance for loan and lease losses involves a high degree of management judgment and is inevitably imprecise, an ALLL that clearly and substantially exceeds the required level misstates the earnings and condition of the credit union and may constitute a violation of Commission Rule 91.718. The Department believes that prudent, conservative, but not excessive, loan loss allowances that fall within an acceptable range of estimated losses are appropriate. Allowance estimates should be based on a comprehensive, well-documented, and consistently applied analysis of the loan portfolio; and the loan loss allowance should take into consideration all available information existing as of the financial statement date, including environmental factors such as industry, geographical, economic, and political factors.

**PERMANENT CLOSING OF AN**  
**ESTABLISHED OFFICE**

Credit unions are reminded that they must provide notice to their members and the Department of the proposed permanent closing of any office no later than 60 days prior to the date of the proposed closing. The credit union also must post a notice to members in a conspicuous manner on the premises of the office proposed to be closed at least 30 days prior to the closing. (See Commission Rule 91.401(b), which will soon become Rule 91.409.)

**HOME MORTGAGE DISCLOSURE ACT**  
**REPORTING**

The Board of Governors of the Federal Reserve System (FRB) recently announced an increase in the exemption threshold for depository institutions required to report data under the Home Mortgage Disclosure Act (HMDA). The reporting requirement is now limited to financial institutions with assets greater than \$33 million. More specifically, any credit union that meets all of the following criteria is required to submit a HMDA report:

- ❖ Total assets exceed \$33 million as of December 31, 2003.
- ❖ The credit union has a home or branch office in a metropolitan statistical area on December 31, 2003.
- ❖ The credit union originated at least one home purchase loan or refinancing of a home purchase loan secured by a first lien on a one-to-four family dwelling.

For credit unions that need additional information, a copy of the 2004 HMDA Reporting Guide, can be obtained at: <http://www.ffiec.gov/hmda/guide.htm>.

**SECOND INSTALLMENT –**  
**OPERATING FEE**

On February 18, 2004, the final Operating Fee invoices for Fiscal Year 2004 were mailed to all credit unions. **All fees must be received on or before March 31, 2004** to avoid the payment of any penalties. If you did not receive an invoice, please contact Isabel Velasquez at (512) 837-9236.

### **SUBPRIME LENDING**

The Department supports credit unions' efforts to responsibly serve their members and enhance credit access for borrowers with special credit needs. However, the Department cautions credit unions to give sufficient consideration to their strategic plans, management expertise, risk management, and operational capacity/capability. While many of the principles and operational requirements are similar to traditional lending, the need for increased attention to detail is heightened with the increased level of risk assumed in subprime lending. Consequently, credit unions should not engage in this activity without a clear understanding of the business and its inherent risks and a well-conceived business plan. Anything less exposes the credit union to unacceptable and unnecessary risk of loss. Credit unions must also recognize the fair lending and other compliance risks presented by subprime lending activities, and take steps to control those risks. In particular, credit unions must ensure that credit criteria including those that distinguish prime from subprime borrowers are applied in a nondiscriminatory manner, based on factors that reasonably predict risk and advance legitimate business purposes. Similarly, credit unions working with unaffiliated subprime lenders must take steps to ensure that referrals of credit applicants to and from the subprime lender are made in a nondiscriminatory manner and otherwise comply with fair lending and other applicable laws.

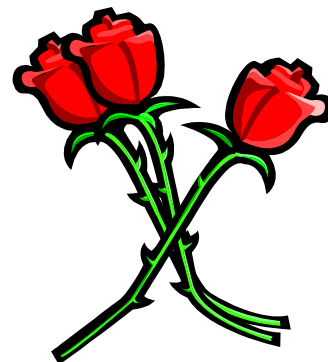
### **REPORT OF OFFICIALS FOR 2004**

Section 122.060 of the Texas Finance Code provides that each credit union must file a report with the Department not later than the 30<sup>th</sup> day after the date of the annual organizational meeting or appointment of any interim officer, director or committee member. Copies of the Report of Officials form for 2004 were included with the Department 2003 Call Report package. We will accept NCUA Report of Officials in lieu of the Department's form. Please be advised that failure to submit the required report within the specified time frame may result in the assessment of a late penalty. If you have misplaced or need additional copies of the form, please contact us or visit our website at: [www.t cud.state.tx.us](http://www.t cud.state.tx.us).

### **PUBLISHING NOTICE OF APPLICATIONS IN THE TEXAS REGISTER**

In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the publication schedule included below. Completed applications received after the deadline for the month cannot be published until the following month.

<b><u>Published In</u></b>	<b><u>Deadline for Receipt</u></b>
March 2004	Friday, March 12
April, 2004	Friday, April 16
May, 2004	Friday, May 14



### **APPLICATIONS APPROVED**

Applications approved since January 31, 2004 include:

Merger(s) or Consolidation(s) Approved:

<b><u>Credit Union</u></b>	<b><u>Changes or Groups Added</u></b>
Catholic Credit Union <b>with</b> St. Joseph's Credit Union Trabusa FCU <b>with</b> Dallas Treasury Credit Union	See Newsletter No. 10-03 See Newsletter No. 10-03

### **APPLICATIONS RECEIVED**

The following applications were received and published in the February 27, 2004 issue of the Texas Register.

Field of Membership Expansion(s):

**Permian Basin Credit Union** (Odessa) – To permit persons that live, work, or worship in Odessa, Texas, to be eligible for membership in the credit union.

**Velocity Credit Union** (Austin) – To permit persons who live, work, worship, attend school in, and businesses and other legal entities located in Bastrop, Caldwell, Hays, or Travis Counties, Texas, to be eligible for membership in the credit union.

**Vought Heritage Community Credit Union** (Grand Prairie) (#1) -- To permit the Friends of the Texas Credit Union Foundation, its employees, members, and their family members who live, work, worship, or attend school in Dallas or Tarrant Counties, Texas, to be eligible for membership in the credit union.

**Vought Heritage Community Credit Union** (Grand Prairie) (#2) -- To permit all business entities and individuals, and their family members, who live, work, worship, or attend school, in Dallas County, Texas, to be eligible for membership in the credit union.

**Vought Heritage Community Credit Union** (Grand Prairie) (#3) -- To permit all business entities and individuals, and their family members, who live, work, worship, or attend school, in Tarrant County, Texas, to be eligible for membership in the credit union.

**Star One Credit Union** (Sunnyvale, California) – To expand the field of membership of its branch office located in Austin, Texas. The proposal would permit the employees of Collins Financial Services who work at, or are paid from, or supervised from, or headquartered from their location at 2101 W. Ben White Blvd. in Austin, Texas, to be eligible for membership in the credit union.

**Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.**